

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2105 – SB 2109

February 29, 2016

SUMMARY OF ORIGINAL BILL: Requires the Speaker of the Senate, the Speaker of the House of Representatives, and the Attorney General and Reporter (Attorney General) to establish an advisory task force to review online simulated competitions, including but not limited to fantasy football, and recommend any necessary statutory revisions to the consumer protection laws that should be made to protect consumers. Requires both speakers and the Attorney General to each appoint three members to the committee for a total of nine members.

Requires the Department of Commerce and Insurance (TDCI) to provide administrative support to the task force. Requires the task force to report its findings to the Governor and both speakers by January 1, 2017. Requires all members of the task force to serve without compensation but authorizes reimbursement for travel expenses. Abolishes the task force upon the completion of the required report.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$2,500/Each One-Day Meeting

SUMMARY OF AMENDMENT (012866): Deletes all language of the original bill.

Creates the Fantasy Sports Contest Act of 2016 by creating the Tennessee Fantasy Sports Commission (the Commission) for the purpose of regulating fantasy sports contests, administratively within the Office of the Secretary of State (SOS).

Requires the Commission be comprised of five members: one member appointed by the Governor, two members appointed by the Speaker of the Senate, and two members appointed by the Speaker of the House of Representatives. Requires members to be reimbursed for travel expenses. Requires the Commission to meet at least quarterly.

Authorizes the Commission to appoint a director who is a resident of Tennessee, at least 30 years of age, and licensed to practice law in Tennessee. Requires all personnel hired by the Commission to be under the director's supervision. Authorizes the Commission to appoint an assistant director.

Requires the Commission to oversee the licensure of fantasy sports contest operators that seek to operate in this state and establish application fees, licensure fees, and renewal fees not to exceed the cost of operating the Commission. Requires the Commission to: (1) provide information to the Department of Revenue to assist in its administration and collection of taxes applicable to

HB 2105 – SB 2109

fantasy sports contest operators; (2) require fantasy sports contest operators to report annually all winnings earned by fantasy sports contest players on online platforms supported by the fantasy competition operator to the Commission; (3) maintain a registry of fantasy sports contest operators; (4) conduct investigations regarding alleged violations; (5) issue subpoenas to compel the attendance of witnesses and the production of pertinent books, accounts, records, and documents; and (6) deny, suspend, or revoke a license.

An effective date upon becoming law for purposes of promulgating rules and making appointments; for all other purposes, an effective date of January 1, 2017.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – Exceeds \$241,400/FY16-17
Exceeds \$382,800/FY17-18 and Subsequent Years

Increase State Expenditures –
Exceeds \$241,400/FY16-17
Exceeds \$382,800/FY17-18 and Subsequent Years

Assumptions for the bill as amended:

- Based on information provided by the SOS, administrative functions required by SOS will result in a recurring increase in state expenditures estimated to exceed \$50,000.
- At least four meetings annually.
- An average number of miles traveled for a member will be 297 round-trip. Members are reimbursed at \$0.47 per mile.
- A recurring increase in state expenditures estimated to be \$2,791.80 [(\$0.47 x 297 miles x 5 members) x 4 meetings] for mileage reimbursement.
- There will be a recurring increase in state expenditures estimated to exceed \$100,000 for salary, benefits, and other miscellaneous expenditures for one Commission director.
- There will be a recurring increase in state expenditures estimated to exceed \$80,000 for salary, benefits, and other miscellaneous expenditures for one Commission assistant director.
- At least one Administrative Assistant II position and one Administrative Assistant III position will be required to process applications and renewals, issue licenses, assist in meetings, assist in daily clerical work, and assist in investigations among other duties, resulting in a recurring increase in state expenditures for salary, benefits, and other miscellaneous expenditures estimated to exceed \$100,000.
- A minimum of one investigator will be required resulting in a recurring increase in state expenditures for salary, benefits, and other miscellaneous expenditures estimated to exceed \$50,000.
- The total recurring increase in state expenditures is reasonably estimated to exceed \$382,791.80 (\$50,000 + \$2,791.80 + \$100,000 + \$80,000 + \$100,000 + \$50,000).

- One-time state expenditures occurring in FY16-17 related to all positions are estimated to exceed \$50,000 for computers, supplies, training, office setup, and miscellaneous expenses.
- The total increase in state expenditures in FY16-17 is estimated to exceed \$241,395.90 [(\$382,791.80 x 50.0% due to proposed effective date) + \$50,000 one-time].
- The precise increase in state revenue from application, license, and renewal fees is dependent upon multiple factors that will be determined by the Commission in addition to the number of operators that choose to cease, continue, or begin operations in Tennessee with the increased cost of doing business.
- The Commission will set fees at such a rate to recover all costs of operating the Commission, but are prohibited from collecting more than the cost of operating. As a result, the increase in state revenue is estimated to exceed \$241,395.90 in FY16-17 and estimated to exceed \$382,791.80 in FY17-18 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jaw